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TAGS: UN EFIN EAGR EAID ECON IFAD

SUBJECT: NEW PRESIDENT OF INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT DELIVERS VISION STATEMENT; HOSTS SECRETARIAT OF UN'S HIGH LEVEL TASK FORCE ON FOOD SECURITY

¶1. (U) This message is sensitive but unclassified. Please handle accordingly.

Summary

¶2. (U) On April 2, newly-elected President Kanayo Nwanze of the International Fund for Agricultural Development (IFAD) briefed Executive Board members on his "vision" for this small, but increasingly important United Nations (UN) development bank/institution. Among his six key areas of focus, the Nigerian-born Nwanze emphasized an expanded program of work, strengthened partnerships with organizations involved in food security, and a collaborative relationship with a more "strategic" executive board (Note: Text of Nwanze's briefing at paragraph five. End note). As Nwanze begins his tenure at a well-financed and reformed IFAD, he also inherits a small, recently-established Secretariat of the UN's High Level Task Force (HLTF) on food security, run by Coordinator David Nabarro, and housed in IFAD's Rome offices. This Secretariat is studying food security in a number of poor and developing countries, looking at ways to improve coordination and fill gaps in development finance for agriculture and food-security. The placing of the HLTF Secretariat at IFAD reflects a strong sense of confidence within the UN system, and among IFAD members that a successfully reformed and well-managed IFAD is capable of playing a leading role in the global fight against hunger. End summary.

IFAD's New President

¶2. (U) Nigerian national Kanayo Nwanze was elected this February as IFAD's 5th President, taking over from Swedish national and two-term president, Lennard Bage. In a strong show of member support, Nwanze received enough votes in the first round of voting to secure the top job, moving up from his previous position of Vice President at the Fund. Nwanze is set to lead the organization after IFAD received a record-setting replenishment during the last Executive Board meetings. Information on IFAD and on Nwanze can be found at their website:

<http://www.ifad.org/>. During his first week in office, Nwanze hosted Executive Board member representatives and other partner organizations for a briefing on his vision for the organization during his presidency. The presentation was very well received by attendees, and reflected an impressive level of professionalism and confidence.

IFAD Hosts UN High Level Task Force

¶3. (SBU) Last year, UN Secretary General Ban Ki Moon created the High Level Task Force (HLTF) for food security in New York, comprised of a wide array of UN agency heads dealing with the complicated topics of agricultural development and food security. A small Secretariat was created, led by David Nabarro, and recently housed in the Rome offices of IFAD, over the objections of the HLTF Vice Chair, Food and Agriculture Organization (FAO) Director General Jacques Diouf. The Secretariat presently has a staff of between 5-7, including seconded staff from Italy, France, Switzerland, and others, but may be expanding should funding be secured for its operations. The Secretariat staff is currently assessing the food security situations of a group of developing countries (between 25-40) to identify what funding and programs are available in each, to identify potential gaps where additional financing for food security projects might be directed.

¶4. (SBU) As part of the HLTF's work regarding food security, efforts are underway, led largely by the UN Secretary General in New York, to attract additional international financing for agricultural investment and development. An international food

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security conference hosted by Spain in January was a key focal point for these efforts, and included discussion of available mechanisms to channel funding to poor farmers in the developing world. Noted economist Jeff Sachs was among the active participants in Madrid, and continues to advocate strongly for increased funding to the third world for agriculture.

Text of Nwanze "Vision" Statement

¶5. (U) Begin Text of IFAD President Nwanze's April 2 Briefing:

Introduction

Colleagues, partners, friends. Thank you for joining me today. I am delighted to have this opportunity to address you in making my first remarks as President of IFAD. It is fitting that you should share this moment with me, for you are the compass that provides direction for everything that we do. I would first like to express my gratitude for the confidence that the members showed in electing me as IFAD's fifth President. As I said in my acceptance statement on 18 February, with your support I want to build on the reforms so effectively introduced during Lennart Bage's two terms of office. The effectiveness of those reforms was recognized when IFAD's members agreed on the record-setting 8th Replenishment. With the resources this will bring, I want to make IFAD an ever-stronger ally for poor rural people. What you will want to know today, though, is what my priorities are for my Presidency of IFAD. Although these are very early days, I can say that where we already do well there will be continuity and growth. But where there is unfinished business, we will complete it. And, in both cases doing better will be our constant challenge.

Continuity

Let me start with continuity. I am, of course, not a newcomer to IFAD. I have served two years as Vice-President, during which time I worked closely with Lennart Bage to support the Executive Board's work to raise IFAD's impact and effectiveness in addressing rural poverty. As I embark on my new role as President, I want to offer you this reassurance: I will be an advocate for continuity when it comes to IFAD's already solid

reputation. IFAD will continue to build upon its reputation as a results-driven organization. Achieving concrete results and impact on the ground through our projects and programs, in collaboration with our partners, will continue to be at the core of IFAD's work. Similarly, IFAD will build upon its experience and reputation as a proactive partner on the international scene.

I know you recognize the importance of IFAD's engagement in the international arena - so do I. That is why I plan not only to continue this engagement, but to strengthen it. I know you recognize the importance of IFAD's role as an international advocate for smallholder farmers in developing countries - so do I. That is why I will promote this unique role of ours even further. The political agenda must keep agriculture at the core of the global debate. I know you value IFAD's collaboration with our existing partners, especially FAO and WFP, but also with the World Bank and other regional cooperating institutions - so do I.

I am delighted that our work with the FAO Investment Centre, for example, more than doubled between 2005 and 2007, and is set to record a further rise. Our efforts must dispel perceived competition amongst existing institutions. That is why I plan to strengthen IFAD's partnerships and deepen its collaboration, and in doing so, help us achieve greater effectiveness on the ground. Another example of our commitment to strategic partnership is our support to agricultural research and development institutions such as the CGIAR. Our investment in the reform of the CGIAR through the co-chairmanship of Rodney Cooke already speaks for itself. In short, I envisage a dual role for myself. First, I want to champion international efforts to enable poor rural people to improve the quality of

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their lives. This will require us to build on the progress IFAD has already made under Lennart Bage to enhance our impact on the ground. And secondly, I want to serve as an advocate for greater investment in agriculture and rural development, and I will take every opportunity to do so.

On the question of IFAD's human resources reform, I recognize that this has been a top priority for the Executive Board. IFAD made tremendous progress under Lennart Bage's administration. We have an open, transparent, merit-based recruitment process that allows us to attract high quality talent from around the world. I will continue that work throughout the organization and I will call on you to support and safeguard our reputation. I firmly believe IFAD's key asset is its staff. As I said when I was elected in February, we need to ensure that our continuing HR reform program enables IFAD staff to give their best at all times, particularly in these challenging times. The strategic alignment of our workforce to our corporate objectives is an essential part of our plans. This will ensure that our improved capacity building of IFAD human capital is enhanced through effective planning, staffing, education, and development opportunities. But, we should now move from processes to products.

We also need to pay attention to the environment in which our staff work. We need to create a work environment that is exciting and encourages innovation and creativity. This is a marvelous building, which has already done a great deal to boost staff morale and improve the way we are able to work together. But, no one will cherish their work environment, however inspiring, if they cannot leave it at the end of the day. That is why we need to go further. We need to acknowledge that the family is an integral part of the individual. We need to put into practice improved work-life balance initiatives.

Finally, on the question of continuity, I want to offer this additional reassurance. As VP, I was most proud of the work I did to support the reform effort by championing Knowledge Management, Risk Management, and the Quality Assurance effort that has helped ensure that IFAD projects can have a greater impact on the ground. I am gratified that IFAD has made real

progress in these three areas. As President, I want both to build on this progress and to extend that same attention and commitment to every aspect of IFAD's work.

Much To Celebrate; More To Do

Let me now move on to the question of doing better. IFAD is a good institution, but we need to move from "good" to "great." We should keep in mind that "successful change is not a function of how much people like the change; rather it is a function of how productive people are in the new work environment." This is where I would like us to be four years from now.

But, at the outset, let me stress that I do not believe in change for its own sake. If something works well, we need to safeguard it. If it isn't broken, we don't need to waste energy and resources to fix it. That is why I have set out my commitment to continuity where it is clearly right for the organization and our mission. In terms of the work of the Executive Board, we have already committed to a challenging agenda for three sessions this year. By the end of 2009 we should have approved the final Results Measurement Framework; we should have received a revised policy on grants, IFAD's human resources reform agenda, and reviews of IFAD's project procurement guidelines and our lending policies and criteria. We have our work cut out for us, but it is important work.

You have already supported us in the move to a new operating model based on an expanded country presence. That work is moving forward but faces pressing challenges. For example, we know that there must be greater investment at the front end of this roll-out and these costs will diminish over time. Significant early investments now will enable us to put the systems in place, both at IFAD HQ and in the field, to ensure the longer-term success of the new operating model in delivering

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a greater program of work and more efficient use of IFAD resources.

My first proposal is to invest adequately now in IFAD's new operating model.

The 8th Replenishment provided a strong basis for increasing IFAD's program of work. The unprecedented 67 per cent increase over IFAD's 7th replenishment, amounting to a target of US \$1.2 billion of member contributions, will allow us to considerably expand our program of work. Indeed, we can anticipate a program of work of up to US \$3 billion, with co-financing expected to bring total investments to US \$7.5 billion during the period 2010-2012. But we can only increase our program of work if all outstanding pledges are forthcoming. At the moment, there is a gap of about US \$80 million; approximately US \$942 million of pledges received versus US \$1.02 billion needed by August 19.

My second proposal is to call on the Board to ensure we fill this gap by 19 August. Only that way can we deliver an expanded program of work.

We are living in challenging times - this is especially the case for poor rural people. The twin problems of global food security and economic recession have already pushed another 100 million people into poverty and hunger, and millions more may follow if global economic conditions deteriorate further. That is why it is imperative for IFAD to be able to increase its program of work.

My third proposal is to extend our reach.

With an increased program of work we will have the capacity to reach more poor rural people, and improve their lives and livelihoods. 2008 was a year of turmoil in the financial markets. Through its prudent policy of keeping the vast majority of its investment holdings in high grade government and other bonds, IFAD was able to weather the crisis and achieve a net investment rate of return of 5.45 percent for 2008, a rate well above its target rate of 3.5 percent. Instrumental to this result was the timely identification and mitigation of risks by a high level financial task force chaired by the AP FAD to

monitor developments, coordinate interaction with external parties, and propose tactical actions and/or decisions, where required.

An issue that received particularly close follow-up by the task force was the securities lending program, in particular the management of securities held as collateral under this program. IFAD, like many other international institutions, has undertaken this program for several years. In December 2008, IFAD took swift action to carve out its assets from the pool managed by the Fund's global custodian bank so as to pro-actively manage its collateral portfolio based on more prudent guidelines. This ensured that this risk was mitigated effectively and that its impact on IFAD's investment result was minimal. The Fund remains fully vigilant and continues to closely monitor developments.

The estimated return for the first quarter of 2009 is 1.13 percent, which on an annualized basis is higher than the annual investment target of 3.5 percent. However, in light of the continuing volatility in financial markets and the current decrease in yields of fixed income investments, reaching the target return in 2009 will be challenging. IFAD is reviewing the situation continuously. As in the past, the Audit Committee and the Executive Board will be kept fully informed of performance, emerging risks and actions taken by the Fund. Since 1978, IFAD has invested over US \$11 billion in grants and low-interest loans, helping 340 million people in developing countries all over the world. Together we must decide how to extend our reach to ensure the quickest impact in the shortest time. We can't do this alone. We need to improve and expand our partnerships, to benefit from synergies so that we can boost our effectiveness on the ground.

My fourth proposal is to expand and strengthen our partnerships,
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not only with the UN system and other IFIs but also with agricultural research and development institutions such as the CGIAR, AGRA, AFD, AAF and others.

Fifth, I would like to see IFAD have a more dynamic relationship with a more strategic Executive Board.

I would like the Executive Board to have more time to consider the strategic aspects of IFAD's work. With an increased workload, the Executive Board would need a more strategic role in order to address this workload. They would need more time and opportunity to exchange and dialogue, and greater engagement of the Conveners and Friends in setting the Board agenda. The Board is also vital in ensuring that IFAD's human resource capacity and financial resources match our needs. I should like to take this opportunity to flag this up as a continuing challenge for us.

My sixth proposal is to have an early conversation with the Board on how to achieve approval of projects on a no-objection basis. The objective here would be to allow more time for the Board to focus on the policies and strategies that guide IFAD's activities.

Finally, I recognize that there is a great deal of interest in the line up of my senior management team. I prefer to see this in terms of "reconfiguration" - a process that is still at the concept stage. But, I promise you that it is one on which I shall advise you as it proceeds. I was elected for reasons that you know better than myself: decision-maker, manager, professionalism and integrity. That is why my colleagues on the executive team must be complementary, and its composition and configuration must respond to the needs of the institution and its many players.

Conclusion

Let me briefly return to the context in which we are operating - with price volatility on international markets putting pressure on global food security, combined with an ongoing financial

crisis, a global economic downturn, and the continuing effects of climate change. This context is well known to you all, and sadly needs no elaboration.

One positive thing that has emerged from the crisis is the renewed international focus on agriculture. The Secretary General's High Level Task Force provided a good deal of the impetus driving that development, and is to be welcomed. But as more players join us in facing the challenge of rural poverty, we should also recognize that there will be a challenge for us in ensuring that IFAD remains relevant and coordinates effectively with its partners on the international scene. Poor rural people face immense and growing difficulties in feeding themselves, their families, their communities, and their countries. IFAD's principal goal, and our fundamental mission, is to enable and empower poor rural people to improve their lives and their livelihoods. We must not lose sight of this fundamental objective. With your continued support, we can meet it.

End text of statement.

Comment

¶6. (SBU) This briefing by Nwanze was particularly helpful in laying out the course the new IFAD leader will take. Though quite early, it would seem our support for Nwanze's election was indeed appropriate, and continued strong support warranted. End comment.

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